

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WATER)
SERVICE CORPORATION OF) CASE NO. 2013-00237
KENTUCKY FOR AN)
ADJUSTMENT OF RATES)

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY

The Attorney General of the Commonwealth of Kentucky, by and through his office of Rate Intervention ("AG"), pursuant to 807 KAR 5:001, is to electronically file with the Commission the original and mail one copy of the following information no later than March 7, 2014. Spreadsheets may be electronically transmitted in Excel format. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

The AG shall make timely amendment to any prior response if he obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

the AG fails or refuses to furnish all or part of the requested information, the AG shall provide a written explanation of the specific grounds for the failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information when responding to this request.

1. At page 36 of her direct testimony, Andrea Crane refers to the Wastewater Privatization Contract Including Service Agreement for the City of Clinton (“Agreement”) and states that “Under that agreement, WSCK bills Clinton based on its cost plus a profit of 15%.”

a. Cite the Article in the Agreement that supports Ms. Crane’s statement regarding the procedure Water Service Corporation of Kentucky (“WSKY”) uses to calculate bills for the City of Clinton.

b. Explain whether Article VII – Service Agreement, 9 (c) and 9(d) describes any profit margin that WSKY receives from the City of Clinton for managing its sewer operations.

2. At page 31 of her direct testimony, Ms. Crane states that “there is no evidence that depreciation rates from a NARUC study that is 35 years old are relevant today or are appropriate to WSCK.”

a. In Case No. 2006-00398,¹ the Commission made the following statement.

¹ Case No. 2006-00398, *Application of Northern Kentucky Water District for Approval of Depreciation Study* (Ky. PSC Nov. 21, 2007).

Historically, the Commission has relied on the National Association of Regulatory Utility Commissioners ("NARUC") Study of Depreciation Practices for Small Water Utilities ("NARUC Study"), dated August 15, 1979, to judge the reasonableness of a utility's depreciation practices. The NARUC Study outlines expected life ranges for asset groups. An adjustment is made when the Commission finds that a utility is using a life that falls outside of this range.

Given this past practice, explain why the NARUC Study is inappropriate in this instance.

b. For each asset listed in the table below, explain why WSKY's 50-year depreciation life is more appropriate than the mid-range life from the NARUC Study.

	Account Description	Depreciation Lives	
		NARUC	WSKY
a.	Supply Mains	62.50	50
b.	Electric Pumping Equipment	20.00	50
c.	Water Treatment Equipment	27.50	50
d.	Office Furniture and Equipment	22.50	50
e.	Tool Shop and Miscellaneous Equipment	17.50	50
f.	Laboratory Equipment	17.50	50
g.	Power Operated Equipment	12.50	50
h.	Communication Equipment	10.00	50



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cc: Parties of Record

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